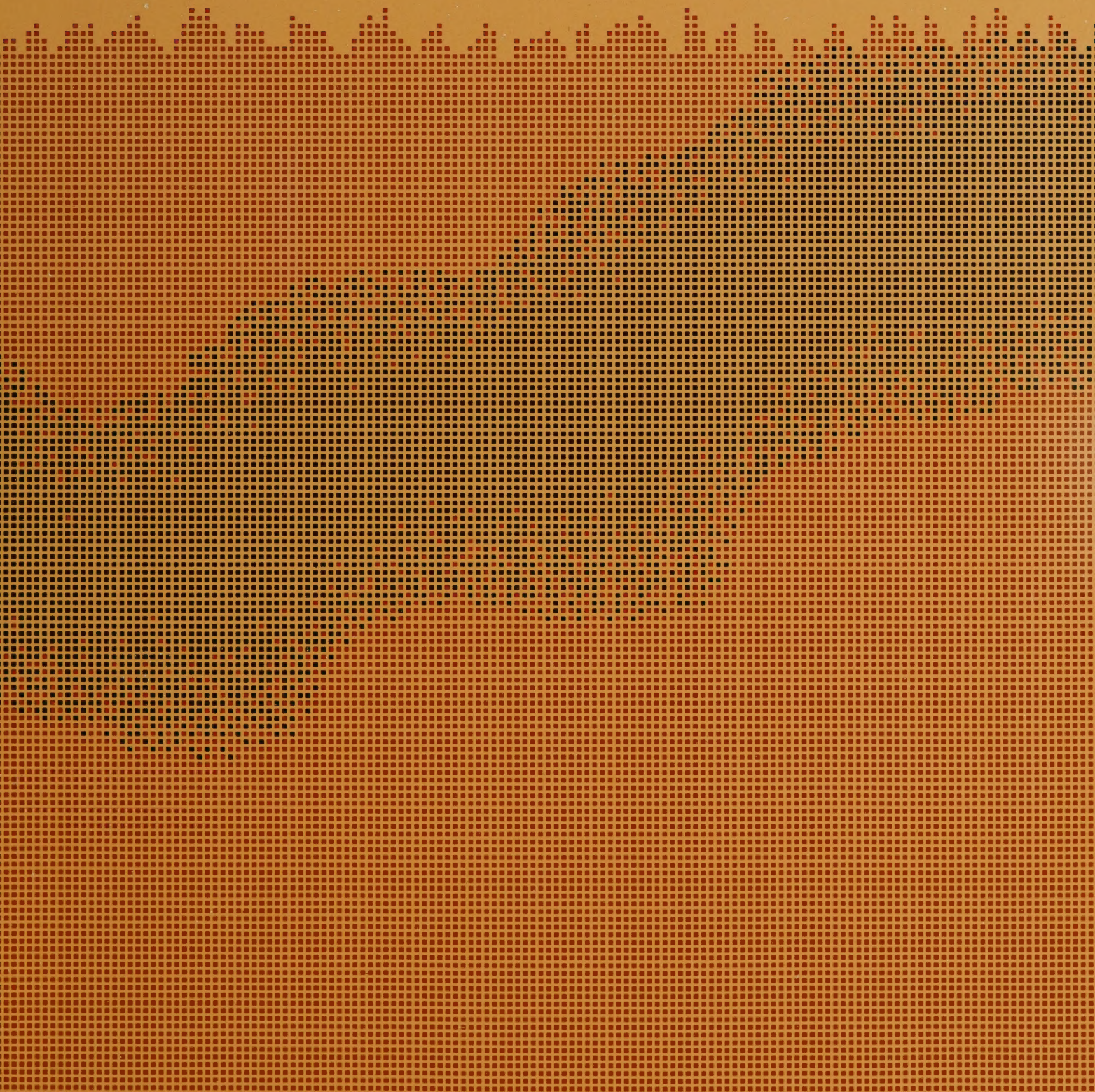




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Ce rapport est publié en français et en anglais. Si vous préférez un exemplaire français, veuillez en faire la demande au:
Secrétaire,
Petrofina Canada Inc.
1, Place Ville-Marie,
Montréal, Québec, Canada
H3B 4A9

The Company

Petrofina Canada Inc. was established in Montréal in 1953 by the Petrofina group of Brussels, Belgium. Initially the Company was involved only in refining and marketing in eastern Canada but within two years had, through acquisitions, become active in the exploration and production segment of the industry in the western Provinces. Today, Petrofina Canada is the seventh largest integrated petroleum company in Canada and is engaged in all aspects of the oil business including the development of the Athabasca oil sands.

The Company's head office is in Montréal and its exploration office is in Calgary. Regional marketing offices are located at strategic points throughout eastern Canada. Although refined products marketing activities are restricted to eastern Canada, by-products, such as petrochemicals and sulphur, are sold on the world markets. To date, the Company's exploration and production activities have been carried out in Canada exclusively.

At December 31, 1980, the Company employed 2 163 people in 10 provinces and had a gross annual payroll of \$58.3 million. Total assets, all of which represent investment in Canada, amounted to \$918 million at year end.

Front cover
Oil sands:
new source of energy

Comparative Highlights

Financial

(in thousands of dollars except per share amounts)

	1980	1979	% change
Revenue	\$887,500	\$764,400	16
Funds generated from operations	152,100	122,900	24
— per common share (fully diluted)	13.58	12.23	11
Net earnings	98,700	61,600	60
— per common share (fully diluted)	8.81	6.13	43
Dividends paid	20,500	13,000	58
— per common share	1.80	1.30	38
— per preferred share (six months only)	.93	—	—
Capital expenditures — resource	61,600	219,500*	(72)
— other	25,100	24,500	3
Long-term debt at end of year	178,400	256,500	(30)
Shareholders' equity at end of year	475,900	307,400	55
Working capital	175,200	110,300	59
Return on average capital employed	17.8%	14.8%	20
Return on average shareholders' equity	25.2%	21.8%	16
Salaries, wages and employee benefits	58,300	54,500	7
Taxes charged against income	77,400	49,700	56
Total taxes generated	189,300	163,800	16
Crown royalties paid	49,100	34,100	44

Operating**

	Rates per day		% change
Production of crude oil and natural gas liquids			
— gross (cubic metres) — conventional	3,300	3,300	—
— synthetic	640	390	66
Natural gas produced and sold			
— gross (thousands of cubic metres)	2,000	2,300	(11)
Sales of sulphur (tonnes)	470	380	25
Crude oil runs to refinery (cubic metres)	11,600	12,400	(5)
Refined product sales (thousands of litres)	10,300	10,900	(6)

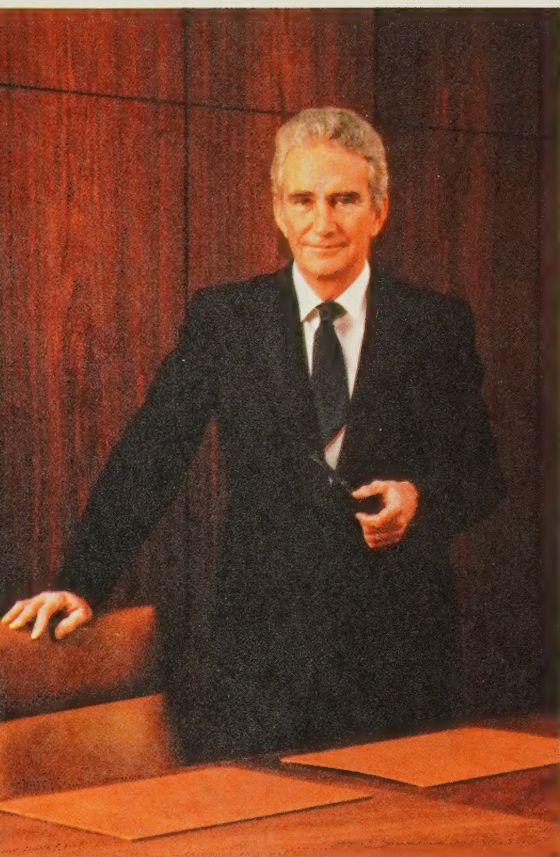
Share Prices

	Quarter	1st	2nd	3rd	4th
Closing quarterly common share prices	1979	\$26 1/8	\$40	\$45 1/4	\$47 1/2
as traded on the Toronto Stock Exchange	1980	\$47 1/2	\$53 1/2	\$65	\$85 1/2

*Includes Syncrude acquisition

**Conversion table: One cubic metre = 6.290 barrels
= 35.315 cubic feet
One tonne = 0.984 long ton
One kilometre = 0.621 mile
One hectare = 2.469 acres

To the Shareholders



The Annual Report of the 1980 activities of Petrofina Canada Inc. is somewhat special in nature since an agreement in principle was entered into for the acquisition of our Company by Petro-Canada as this was being written.

Events have dictated that Petrofina Canada be the first company to be affected by the National Energy Program aimed at Canadianizing the petroleum industry, by takeover. It is ironical when one recalls the fact that the promoter and founder of the Company had to turn to foreign interests in the early 1950s when it proved impossible to find Canadian investors willing to take up the challenge. Additionally, the management of Petrofina Canada has been among the most ardent defenders of private enterprise, especially in the area of resource development.

Those who have contributed to the success of our Company may find some satisfaction in the fact that it was Petrofina Canada's very vitality which made it attractive to the State. A review of our 1980 activities provides evidence of this vigor.

For example, our exploration and development expenditures (excluding Syncrude) made exclusively in Canada, increased 65% during the year, rising from \$35 million in 1979 to \$57 million in 1980, and our total capital expenditures, including the construction of our polystyrene plant, amounted to \$87 million in 1980, as against \$59 million in 1979.

While our sales volumes of refined products decreased to a level slightly below that of the preceding year, our earnings made substantial gains as a result of the strengthening of margins and higher prices for crude oil and natural gas.

Net earnings increased from \$61.6 million in 1979 to \$98.7 million in 1980. In terms of return on average capital employed, there was an increase from 14.8 per cent in 1979 to 17.8 per cent in 1980. Insofar as net earnings per share are concerned, they advanced to \$8.81 on a fully diluted basis in 1980 from \$6.13 in 1979.

In an ongoing effort to expand our markets, we continued to place a great deal of importance on the petrochemical sector. Construction of a polystyrene plant by our subsidiary, Finachem Canada Inc., at a cost of \$15 million, was completed on schedule and under budget. Production got under way in January, 1981.

Despite a strike by our employees at the beginning of the year, production at our refinery proceeded at a normal pace with the help of our senior staff. Regular work resumed in mid-March following the signing of a two year collective agreement.

About 85 per cent of our crude oil supplies were provided by western Canada, with the balance of our needs being met through foreign sources.

In order to reduce the loan contracted in 1979 to purchase our 5% share in Syncrude, we issued both common and convertible preferred shares under two separate offerings. The net proceeds realized of some \$83 million were applied against the loan. A further \$225 million credit facility enabled us to refinance the remainder of that debt and to ensure the financing of other projects.

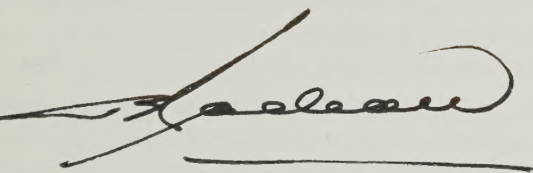
We, together with the other participants in the Alsands project, waited in vain for an agreement between the governments of Alberta and Canada which would have allowed us to undertake work with a view to construction of the plant. At present, this work has been reduced to the strictest minimum and the project may be suspended unless agreement is reached before July 1, 1981.

I am indebted to the members of the Board of Directors who have always been available to provide us with their valuable assistance. To those directors who have left us this year, Messrs. W.A. Arbuckle, F.M. Covert and Roger Létourneau, I extend our sincere appreciation for their contribution to the Company. I wish to bid a cordial welcome to Messrs. Jacques J. Giasson and J.W.E. Mingo whose experience will be a valuable addition to our Board of Directors.

I also wish to express our gratitude to all employees for their cooperation over the years and I want to thank all those, including our dealers, agents, customers and suppliers, who have contributed to Petrofina Canada's success.

As the reins change hands, everyone may be justifiably proud of our past performance.

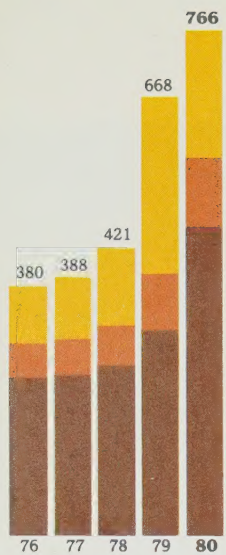
On behalf of the Board



Chairman of the Board
President and Chief Executive Officer

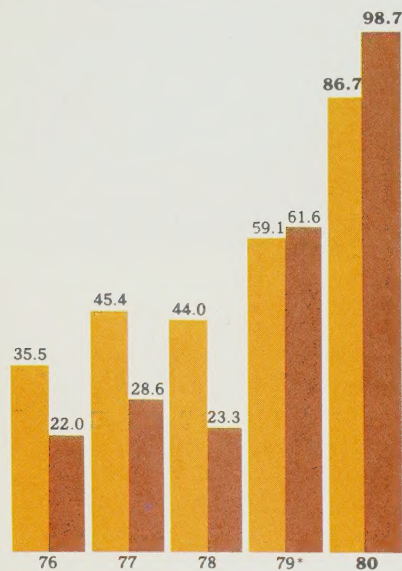
Montréal, February 17, 1981.

Financial Review



Capital Structure (millions of dollars)

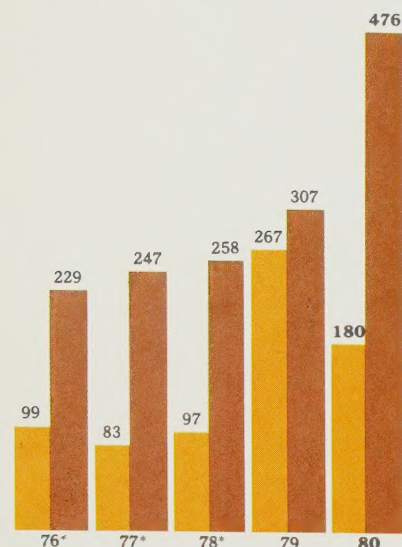
Long Term Debt
Deferred Income Taxes
Shareholders' Equity



Reinvestment vs Earnings

(millions of dollars) *Excludes Syncrude acquisition

Capital Expenditures
Earnings



Debt vs Equity

(millions of dollars) *As restated in 1979

Debt
Equity

Cash Generated and Reinvested

Cash flow from operations amounted to \$152 million, an increase of 24% over last year. Expenditures on properties, plant and equipment, most of which were in the Resources segment, represent a reinvestment in Canada of 88% of our earnings for the year and 57% of our cash generated. Over the past five years we have invested some \$456 million in our business, mainly in the Resources segment in Canada. This investment represents 195% of our earnings and 104% of our cash flow for the same period.

Expenditures	1980	1979
(millions of dollars)		
Exploration and Development		
Conventional	\$51.9	\$ 33.3
Syncrude	4.5	184.9
Alsands	3.1	.6
Other	2.1	.7
Manufacturing	18.7	16.9
Marketing	6.4	7.6
	\$86.7	\$244.0

Earnings

Consolidated net earnings for 1980 were \$98.7 million, up 60% from the \$61.6 million earned in 1979. Earnings per common share were \$8.99 compared with \$6.13 for 1979. Fully diluted earnings per share, taking into account the possible conversion to common of all preferred shares, were \$8.81.

The increased earnings are attributable to improved margins in the sales of refined products and to higher prices in the Resources segment of our business. An analysis of the earnings from and capital employed in each segment is included under note 6 of the Notes to the Consolidated Financial Statements which can be found on page 26 of this report.

Gross revenues for 1980 totalled \$887.5 million, an increase of 16% over the \$764.4 million for 1979. Product costs and operating and administrative expenses increased only 6.6% to a total of \$641.7 million. Although sales volumes of general products declined 6.4% from 1979, margins improved significantly. This improvement, coupled with a reduction of 2.5% in marketing costs, accounts for the more satisfactory performance of the Refined products and petrochemicals segment.

Financing

During 1980 significant changes were made over a period of several months to the Company's financial structure. The acquisition in 1979 of a 5% interest in Syncrude was financed by an interim bank loan with the intention that it would be retired in part through an equity issue at the appropriate time. Early in the year improving equity markets permitted a successful rights offering to common shareholders. A total of 1 005 176 new common shares were issued pursuant to the offer for proceeds of \$40.2 million.

By mid-year an issue of 1 500 000 cumulative redeemable convertible preferred shares was also completed at a price of \$30.00 per share to provide additional funds of \$45 million. The preferred shares yield 6.25% payable quarterly and are convertible into common shares anytime on or prior to July 15, 1990, at a conversion rate of one half of a common share for each preferred share, subject to adjustment in certain events. The combined net proceeds of both equity issues were applied to reduce the Syncrude loan.

In August, the remainder of the Syncrude loan was refinanced through a new credit facility arranged with a consortium of three major banks. The new facility, which extends a maximum credit of \$225 million, carries a minimum three year revolving period followed by a 10 year fixed term. This facility was also used to retire approximately \$33 million of other, more expensive, bank debt.

Dividends

The first quarterly dividend on preferred shares was paid on September 30, 1980, at the rate of \$.45856 per share and the second quarterly dividend was paid on December 31, 1980, at the regular rate of \$.46875 per share.

Semi-annual dividends were paid on the common shares at the rate of 80 cents per share on March 31, 1980, and \$1.00 per share on September 30, 1980.

Review of Activities

Exploration, Development and Production

Increasing cash flow during the year was accompanied by increases in expenditures for exploration and development of conventional oil and gas. These expenditures which amounted to \$57 million, as compared with \$35 million in 1979, were tangible recognition by the Company of the need to reinvest increasingly large sums in the development of Canada's hydrocarbon resources if we hope to achieve the national goal of self-sufficiency.

The Company participated in the drilling of 152 wells during the year, a 37% increase over 1979. The programme resulted in 24 oil wells and 84 gas wells with seven wells still drilling or awaiting completion at year end. The remainder were unsuccessful.

The risks in our industry are well illustrated by the 37 dry holes in which we participated. Not as well understood however, is the economic risk involved with successful gas wells. New oil wells are placed on production shortly after drilling but new gas discoveries must wait for several years before markets can be established and marketing facilities built. Most 1980 gas discoveries, for example, will not likely be placed on stream before 1987.

In 1980 approximately \$5.2 million were spent in geophysical exploration, and some 2 700 kilometres of seismic lines were shot or acquired from industry sources. Here again our expenditures were increased substantially from the \$2.7 million spent in 1979, reflecting the increased importance of geophysical methods. This work has provided the Company with valuable leads for our drilling programme in 1981 and subsequent years.

At December 31, 1980, the Company held interests in 576 oil wells, and 440 gas wells capable of production in non-unitized fields, amounting to 185 net oil wells and 126 net gas wells.

Competition in land acquisition remained intense. Although average prices at Crown sales in Alberta decreased to \$406 per hectare in 1980 from \$493 in 1979, average prices at sales in British Columbia increased to \$411 per hectare in 1980 from \$380 in 1979. The Company acquired 31 989 net hectares at an average cost of \$349, an increase of \$163 per hectare over last year.

Governments are the owners of most of the minerals in Canada, and are the beneficiaries of very large amounts of money paid by the oil companies for leases, and other rights. The terms of these concessions are becoming shorter, and the drilling obligations more burdensome, against a scenario of delay in finding markets for natural gas discoveries.

Exploration (see map)

British Columbia

Kimea

Kimea is located in the northeast corner of the province and the Company holds interests varying from 35% to 100% in 46 800 gross hectares with a net of 13 100 hectares. Four gas wells drilled prior to 1980 were followed by a fifth gas well in the first quarter of the year. Further seismic is planned for 1981.

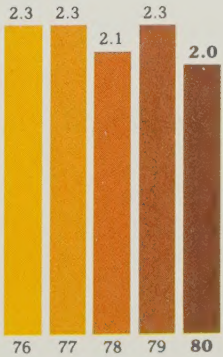
Wapiti River

In 1978, the Ojay well discovered gas which tested at 538 thousand cubic metres per day, and a second deep wildcat test was drilled in 1980. An extensive evaluation of its hydrocarbon potential was being carried out at the end of the year. The company holds a 50% interest in 44 920 gross hectares with a net of 22 460 hectares.



**Gross Production Crude Oil
& Natural Gas Liquids**

(thousands of cubic metres per day)
*Includes synthetic oil



**Gross Sales
Natural Gas**

(millions of cubic metres per day)

Paddy

Sixty kilometres north of Fort St. John, the Company holds interests in 78 100 hectares under a farmin from the British Columbia Resources Investment Corporation (BCRIC), in which the Company will earn a 25% working interest. In 1980, adjoining these lands to the north, the Company acquired a 33 1/3% interest in a 9 541 hectare permit. One well on the BCRIC acreage was drilled and cased to the Muskeg formation in 1980, suspended at that point due to spring break-up, but will be deepened early in 1981. Further seismic will be carried out in 1981, and a second well will be drilled in the first quarter.

Altare

The Company holds a 50% interest in 8 657 gross hectares with a net of 4 328 hectares located in Township 83, Range 24, W 6 Meridian in British Columbia. A farmout well was cased to a depth of 2 164 metres in the Permian Belloy formation.

Alberta

Golden-Lubicon

In the rapidly expanding Golden-Lubicon oil play in north central Alberta, Petrofina Canada acquired interests from 33 1/3% to 50% in six petroleum and natural gas licenses during 1980, amounting to 4 077 net hectares. The Company anticipates participating in the drilling of several wells in the first quarter of 1981, and shooting additional seismic.

Shekilie

In the far northwest corner of the province a programme of seismic work and land acquisition was carried out in 1980. The Company holds 25% and 33 1/3% interests in 2 816 gross hectares with a net of 896 hectares. Drilling is planned for the first quarter of 1981, offsetting the Shekilie oil field.

Whitecourt

Exploration on the Whitecourt block in west-central Alberta continued at an accelerated pace with the drilling of 28 exploratory wells compared with 13 in the previous year. Seventeen wells were cased as potential gas wells and three were oil discoveries.

Peco Coalspur

A well drilled on a Nisku seismic anomaly in the West Pembina play a year ago is confirmed as a gas discovery with 24 metres of reef pay, and tested at a rate of 210 thousand cubic metres per day. Company interest is 10%. A second well drilled on a separate Nisku anomaly is also confirmed as a gas discovery with 31 metres of reef pay and a flow rate of 670 thousand cubic metres per day. Company interest is 5%.

Other Alberta areas of exploration significance include West Berland, Hay River, and the Dizzy Creek region close to the northern boundary of the province.

Québec

In the fall of 1980 the Company entered into a farmin agreement with SOQUIP (the Québec Government oil company) for geophysical exploration and drilling in the province, both onshore and offshore. By year end, 147 kilometres of seismic had been completed in the Gaspé area, 55 kilometres had been completed in the Québec Lowlands, and recording of offshore seismic was initiated late in December in the Gulf of St. Lawrence. Further seismic in the Gulf and in the Louiseville area will be carried out in 1981. The first well, near Blandford, was drilled to a depth of

1 754 metres and abandoned in December. This well earned the Company a 50% interest in an area containing approximately 282 000 hectares. A second well, near Bécancour was spudded in December, and was still drilling at year end. The farmin covers a total of approximately 1 051 000 hectares in five separate blocks and the Company may earn an interest of about 50% in these lands.

Maritimes

A farmout of approximately 1.6 million gross hectares of mineral rights offshore Prince Edward Island was completed. Two offshore wells, each on separate structures, were drilled with disappointing results, and both wells were abandoned. The Company's interest after the farmout is approximately 4%. No further exploration is planned.

Land Holdings

The Company's land holdings at the end of 1980 were as follows:

	Gross hectares	Net hectares
Petroleum & natural gas:		
Permits, reservations & licenses	2 115 607	532 130
Leases	1 086 002	481 921
Mineral title interests	227 268	93 577
Royalties	86 816	86 816
Coal	88 087	67 137

The foregoing excludes our 2% net carried interest in approximately 16 million gross hectares held by Panarctic Oils Ltd. in Arctic areas off the Canadian mainland.

Development (see map)

Alberta

Keg River

A Keg River gas discovery well on a 14 290 hectare block was drilled in 1976 and delineation wells were completed in the next two years. In 1979 gas marketing arrangements were made and a development programme followed in 1980 which included the drilling of five more wells with Petrofina Canada as operator. A gas dehydration and compression plant and gathering system connecting thirteen wells was constructed with production expected to commence early in 1981. Petrofina Canada's interest is 65%, and the Company's share of production will amount to approximately 65 thousand cubic metres of gas per day.

West Whitecourt Project

In 1979, new contracts for sale of gas from the Whitecourt area were entered into with PROGAS Limited and Pan-Alberta Gas Ltd. for export to the United States, conditional upon the necessary permits being obtained from government authorities. Although export approvals were not fully finalized by year end, the Company and its partners proceeded with development drilling, and plant and gathering system construction required to fulfill these contracts.

The Company is the operator of the West Windfall and Heavysound areas, where we are installing 145 kilometres of gathering systems associated with compression and dehydration facilities. About 30 gas wells will be coming on production and the Company's share from these new contracts will be about 112 thousand cubic metres per day.

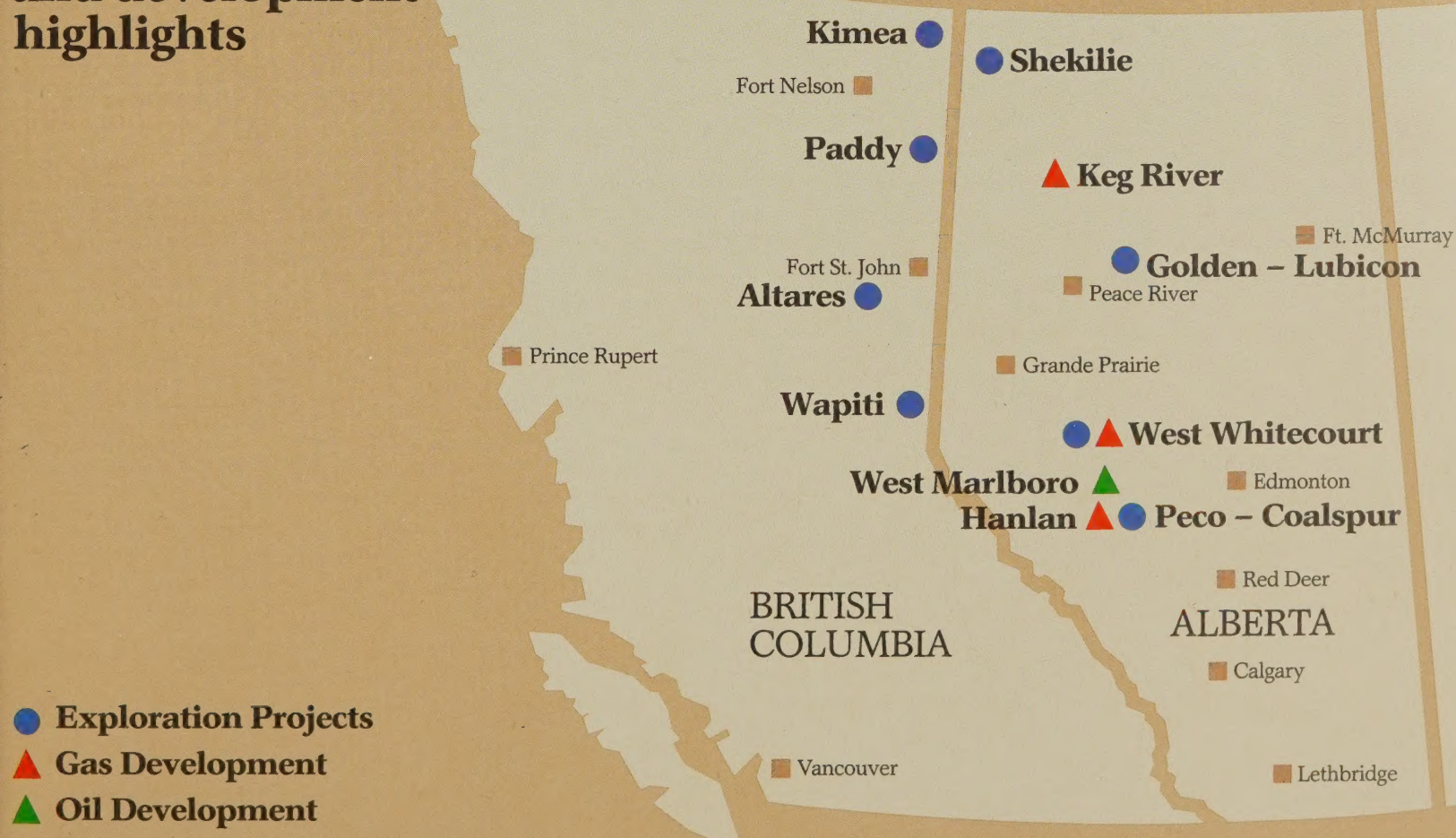
West Marlboro

In this successful oil development play in the southern part of the Whitecourt block, 8 development oil wells were completed in 1980, giving a field total at year end of 29 oil wells. More drilling is planned for 1981.

Hanlan

The Company holds a 20 to 25% interest in four wells completed in the Swan Hills formation in the large Hanlan gas field about 200 kilometres southwest of Edmonton. The Company, together with other owners, has been involved during the year with engineering design of a plant and gathering system expected to serve three to five gas fields in this area.

1980 Exploration and development highlights



Design capacity is for 8.5 million cubic metres per day inlet gas, and the total cost of the system will be in excess of \$200 million. Interim approval from the Energy Resources Conservation Board has been received and construction is projected to start in 1981. The gas is contracted to Pan-Alberta Gas Ltd., and plant construction is subject to the status and timing of natural gas exports.

Production

Wellhead Prices

The average gross wellhead price for crude received by Petrofina Canada during the year was \$98.09 per cubic metre, an increase of \$14.75 per cubic metre over the preceding year, and the average price for natural gas increased to \$85.60 per thousand cubic metres from \$63.31 per thousand cubic metres in 1979. The average price received for synthetic crude oil during the year was \$231.66 per cubic metre.

Resource Sales

Sales of conventional crude oil and natural gas liquids totalled 1 212 thousand cubic metres before royalty, an increase of 22 thousand cubic metres over 1979. Sales of synthetic crude oil added 235 thousand cubic metres before royalty. Natural gas sales, before royalty, decreased to 747 million cubic metres from 841 million cubic metres in 1979. Sulphur sales increased to 174 000 tonnes in 1980. World demand for sulphur is increasing and there is significant improvement in Company revenue from sulphur sales. Prices for slated sulphur for offshore markets have increased by about 65% during 1980 and at year end were about \$90 per tonne at the plant gate. Liquid sulphur for the domestic and United States markets reached a price of about \$55 per tonne at the plant gate by year end, a 200% increase from the beginning of the year.

As in 1979, conventional oil production continued at or near maximum operating capacity. In response to the National Energy Program the Alberta Government announced a plan to reduce the production from

provincially-owned oil and gas lands by 15% in stages next year, resulting in a reduction of about 29 thousand cubic metres of oil per day by July 1981. Although this will reduce our income from conventional oil production somewhat, a significant portion of our production is from freehold leases which will not be affected by the proposed cutback.

Natural Gas Production

In December of 1979, the National Energy Board approved the export to the United States of 105 billion cubic metres of gas over the next seven years, on the condition that approximately 48% of these additional volumes be delivered through certain southern sections of the planned Alaska Highway Natural Gas Pipeline. Canadian approval for construction of these "pre-build" sections of the line was obtained early in the summer, the necessary permits were issued, and construction was underway in August. The western leg to handle deliveries of approximately 6.8 million cubic metres per day should be completed by May or June of 1981, and the eastern leg to handle deliveries of approximately 22.5 million cubic metres per day is tentatively set for completion in September of 1982. These exports are significant for our Company, and we will be participating through our contracts with Pan-Alberta Gas Ltd. and PROGAS Limited.

On February 1, 1980, the Toronto City Gate price increased by 15¢ per MCF (\$5.30 per thousand cubic metres) to \$2.30 (\$81.21 per thousand cubic metres), and the price was increased again to a price of \$2.60 (\$91.81 per thousand cubic metres) on September 1, 1980.

On February 17 the export price of gas to the United States was increased from \$3.45 U.S. to \$4.47 U.S. per million BTU's (\$121.82 U.S. to \$157.84 U.S. per thousand cubic metres), which brought the price of export gas to parity on an energy basis with oil in accord with the Canada-U.S. agreement. The agreement with the United States called for an upward adjustment of 15¢ U.S. per million BTU's (\$5.30 per thousand cubic metres) as and when the price of oil increased by the equivalent amount, with the adjustment to be effective 90 days later. Although the price of oil increased during the year, the Canadian Government decided not to proceed with a further increase in the price of export gas because there is a growing market resistance to the higher price since heavy fuel oil is now competitive and new supplies of gas in the United States are being brought on by a significant improvement in the American exploration environment.

The Montréal to Québec City extension of the trans-Canada pipeline proposed for 1981, combined with market development in Ontario will require increased production of natural gas in western Canada, although the rate of growth is expected to be rather slow.

Reserves

The Company's proven reserves of hydrocarbons and related products, before royalty, were estimated at the end of the year as follows:

	1980	1979
Conventional crude oil & gas liquids (millions of cubic metres)	7.5	8.5
Synthetic crude oil (millions of cubic metres)	9.3	9.5
Natural gas (billions of cubic metres)	19.8	20.7
Sulphur (millions of tonnes)	2.5	2.4

Saskatchewan

The effects of the National Energy Program on the Company's producing wells in Saskatchewan are such that it is no longer economic to service marginal wells.

(continued on page 13)

Oil Sands

At a time when crude oil reserves are rapidly depleting, Canada does enjoy some outstanding advantages. The oil sand deposits found in north-eastern Alberta are among the largest known oil reserves in the world. Our country can also count on a petroleum industry which has readied itself to face the financial and technological challenges of developing this new source of oil supply.



Petrofina Canada Inc. has had an involvement of nearly 30 years in the exploitation of these hydrocarbon reserves. As outlined in the following pages, the Company is today one of the principal participants engaged in their development.

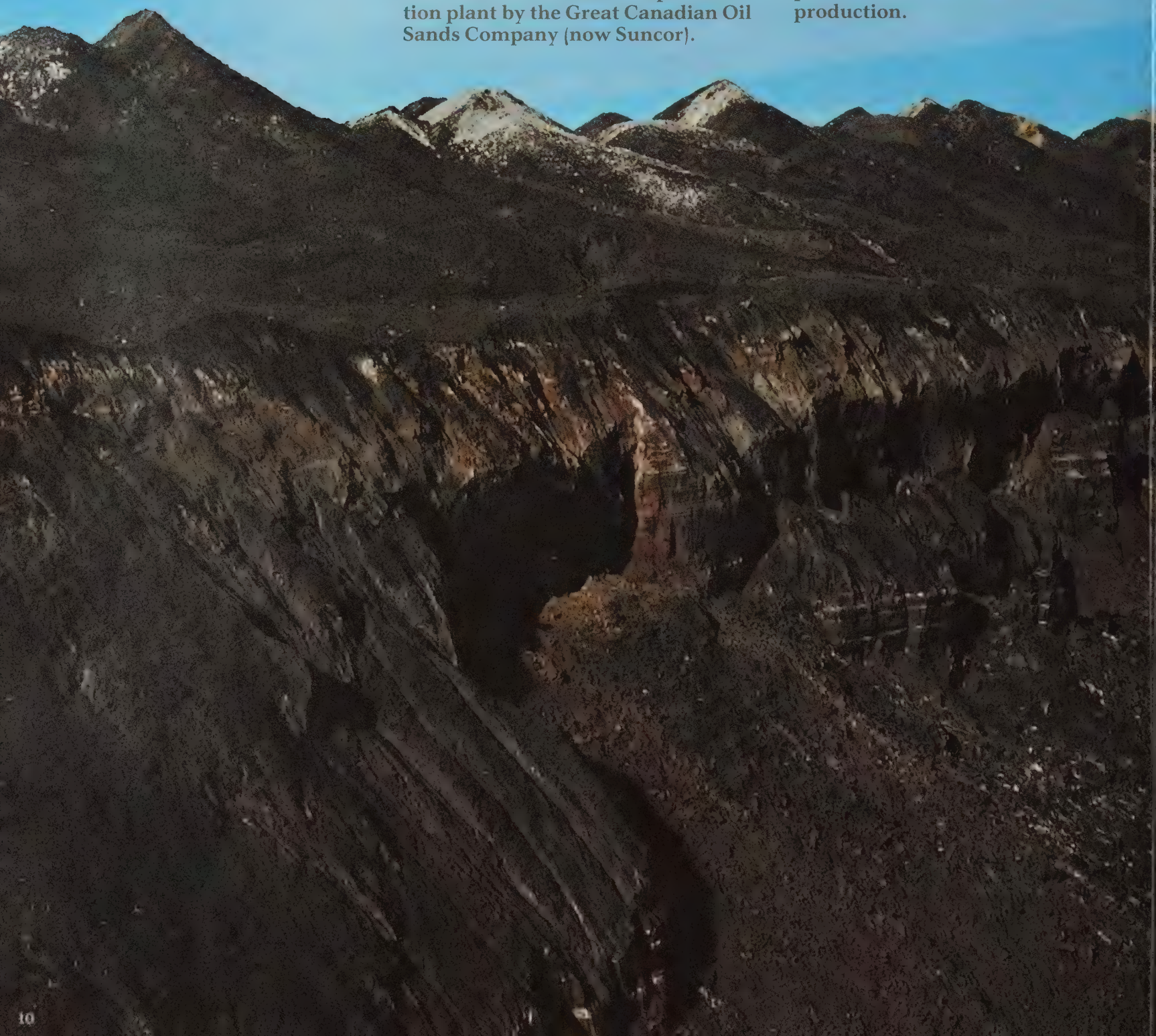
The many challenges in developing the oil sands stagger the imagination. Canada's petroleum industry boldly took them on and has been tackling them for some three decades, making our country a forerunner in the field.

Petrofina Canada showed its early interest in the oil sands by participating in the Athabasca Oil Sands Project Group, which became involved in 1952 in the exploration of large areas on the banks of the Athabasca River. In 1974, the group filed an application with the Alberta Energy Resources Conservation Board for a 20 thousand cubic metres per day project estimated to cost \$850 million in 1973 dollars. While the plans received technical approval, the project was shelved for lack of satisfactory fiscal terms with the government.

The first successful development of the oil sands on a commercial basis dates back to 1967 with the completion of a surface mine and production plant by the Great Canadian Oil Sands Company (now Suncor).

The project, with a capacity of 7 200 cubic metres per day, demonstrated the commercial and technical feasibility of surface mining and extraction of bitumen from the oil sands by the Clark hot water process.

Suncor's experience, combined with research conducted by Syncrude Canada Limited, encouraged Syncrude to begin a much larger operation in 1972, using generally the same processes as Suncor. The daily production capacity of the Syncrude plant (see photographs) is 20 thousand cubic metres of synthetic crude oil. In 1979, Petrofina Canada acquired a 5% share in the project, as well as the right to purchase another 10% of the production.



This \$185 million investment doubled the Company's petroleum reserves and added three thousand cubic metres per day to its refinery supply.

In the meantime, other oil companies were seeking the required authorizations to start constructing other plants. Some of the land leased by Petrofina Canada and other companies will become part of an agreement through which the Alsands Group proposes to undertake construction of another project larger than Syncrude. The projected initial investment will exceed \$9 billion. The objective is to produce 22 thousand cubic metres of synthetic crude per day.

For Petrofina Canada, its 8% share in the consortium will mean an investment of over \$700 million and an increase of 1 800 cubic metres in its daily production. The Alsands Group has not only strong financial commitment by its partners, but also substantial technical expertise. Technical approval has been received from the Province of Alberta and engineering work is underway. However, the commercial terms, including royalty, synthetic oil price and taxation, are still not established.

The recovery process used to date calls for the surface mining of deposits generally lying at a depth of less than 50 metres. The oil-laden sand is strip-mined and moved by a system of conveyors, to the extraction plant. To separate the bitumen, the sand is mixed with hot water and steam. The sand and gravel are rejected while the bitumen floats to the surface ready for upgrading. After upgrading it becomes "synthetic crude oil", and is shipped to the traditional refineries for conversion to petroleum products and petrochemicals.



Surface deposits represent only a fraction of known oil sands reserves. The great majority of oil bearing sands are located deep beneath the surface and require a highly complex extraction process known as "in situ recovery", which is still under development.

Petrofina Canada has taken an active part in the exploitation of the vast Alberta oil sand deposits. It also holds important concessions which are yet to be developed. In cooperation with its partners, the Company is committed to play a continuing role in the development of this reserve of oil to provide Canadians with ample supplies of energy.



Arctic Islands

The Company holds a 2% carried interest in approximately 16 million gross hectares held by Panarctic Oils Ltd. in Arctic areas off the Canadian mainland. Panarctic added to its substantial reserves already held at Melville Island, King Christian Island, Roche Point and Whitefish by the drilling in the first quarter of its Char G-07 well which tested about 500 thousand cubic metres per day. This well is an extension of the King Christian gas field, but in a new shallow zone.

Participants in the Arctic Pilot Project to ship liquified natural gas from the Arctic islands by tanker to eastern Canada for distribution in Canada and the United States have announced the signing of two sales agreements. Approvals from both Canadian and United States authorities will be required.

Syncrude

Substantial improvement was made during the year both in plant operations and mining at the Syncrude project in which the Company owns a 5% interest. In spite of problems encountered with cokers, a fire in the hydrogen plant at year end, and an unscheduled shut-down for 35 days in the early part of the year, our share of production for the year exceeded our estimates by about 29 thousand cubic metres, and reached a total for the year of 235 thousand cubic metres, with our share of daily rates being as high as 910 cubic metres.

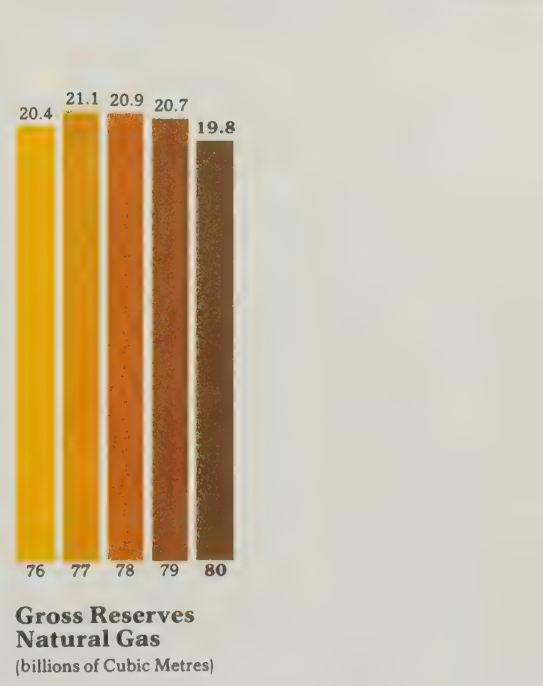
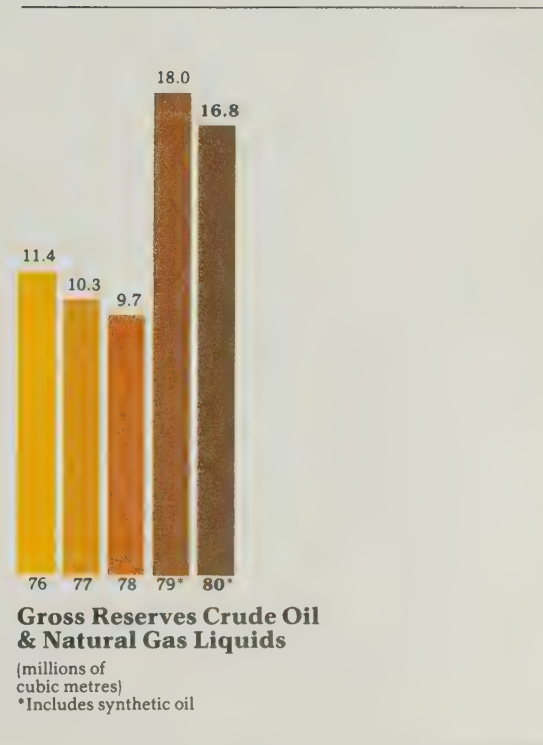
Syncrude management and staff are to be commended for their performance under conditions which were often extremely difficult.

Alsands

In the first quarter, the on-site programme for clearing and drainage ditching, together with the drilling and coring of 400 wells was completed. On-site work for the rest of the year was minimal, and all expenditures for the year amounted to about \$41 million, instead of the \$100 million originally planned.

Technical and associated design and planning proceeded at an active level and a Joint Venture Management Contract was signed with a consortium of engineering firms to complete engineering design and manage construction. An extension of the Participation Agreement by the nine participants in the project was concluded by the end of the year. Technology for handling and use of plant produced coke is being acquired, thus reducing an otherwise substantial use of natural gas or product. The proposed 1981 budget of \$200 million was reduced to \$36 million for the first six months, and the participants announced that it is very likely the project will be suspended unless acceptable terms can be negotiated with the provincial and federal governments.

The year was a disquieting one for Alsands from beginning to end. Efforts by the participants to establish fair and reasonable commercial terms had been to no avail in the latter part of 1979, and the federal election in early 1980 caused further delays. Alsands' innovative proposal of an equitable price and profit sharing formula with government met with no success. The federal budget and National Energy Program which established oil pricing terms starting in 1981 for synthetic crude was followed by Alberta's notice that the matter of approval for the project was being held in abeyance. If a positive environment should develop in the immediate future enabling the project to go ahead, the earliest forecast of start-up would be some time in 1988, instead of 1986.







Coal

In the Lethbridge area of southern Alberta the Company holds a 45% interest in 3 225 hectares of provincial and freehold coal leases. Our Company is the interim project operator. Mining engineering studies have been carried out during the year, and in the fall a 17 core hole drilling programme was carried out which fully substantiated the dimensions of our coal seam. Planning for a test mine is proceeding along with economic studies. Gross recoverable reserves are estimated to be 41 million tonnes.

Forecasts at the Canadian Coal Conference held in September 1980 were very bright for world wide growth of thermal coal markets, and the Company is cautiously optimistic as to the future for this prospect.

Investigation of coal prospects in British Columbia have not proved fruitful, in part due to the onerous requirements under provincial regulations for work and expenditures. As a result, all British Columbia coal leases have been dropped.

Supply

As was the case in 1979, this past year proved to be a difficult one in which to obtain our supplies of foreign crude oil. Not only did we continue to be affected by the low rate of Iranian crude oil production, but also, during the last quarter of 1980, our offshore supplies were reduced substantially by the Iran-Iraq conflict. Nevertheless, we were able to supply all the marketing requirements of our Company.

In the last quarter of 1980, a contract was signed with Petro-Canada which provides us with an additional supply of approximately 238 thousand cubic metres annually of Mexican crude oil. Actual deliveries under this agreement have not yet reached the contract quantities.

Crude oil purchases for 1980 totalled 4.2 million cubic metres at an overall cost of \$487 million.

Total receipts at Montréal for our account were 2.7 million cubic metres of western Canadian crude, 0.4 million cubic metres of direct foreign purchases and 0.2 million cubic metres of foreign crude obtained through Canadian-American exchanges. Additionally, we received 1.0 million cubic metres of crude under a processing arrangement. This latter volume was offset by a like quantity of crude purchased by us and processed at Sarnia under the same processing arrangement.

Manufacturing

As a result of difficulties experienced during 1980 in securing supplies of Middle East crude, the refinery throughput dropped some 6% from the level of the preceding year. The daily average of 11.6 thousand cubic metres was made up of approximately 85% Canadian conventional and synthetic crudes, 11% Middle East and 4% Mexican.

A strike of hourly paid refinery workers, which began in December of 1979, was settled after a period of 100 days. During that time the refinery was operated by staff personnel at normal production levels.

High priority was again placed on energy conservation with a number of projects completed and others under study. These efforts have resulted in a 37% reduction in refinery fuel consumption since 1973, on an equivalent basis.

Among the projects commissioned this year was an experimental hydroponic greenhouse which utilizes some of the refinery's waste heat to grow hothouse tomatoes, cucumbers and peppers. This is not a commercial project, but Petrofina Canada will continue its research with various groups in an attempt to develop new growing techniques for the above-mentioned crops, plus herbs, melons, beans and flowers. The greenhouse will continue to serve as an educational tool providing tours for school and university groups, both local and foreign.



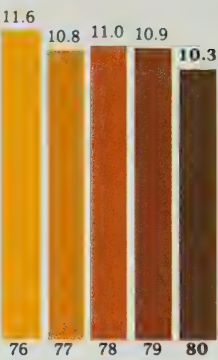
As a result of the declining fuel oil market, various processing alternatives were evaluated to reduce heavy fuel oil production. Visbreaking seems to be the most attractive in the short term, while heavy oil cracking with hydrotreating appears to be the long term solution.

Petrochemicals

While the production at our refinery was affected by reduced volumes of crude oil processed during the year, total production of petrochemicals was up to 357 thousand cubic metres, representing a yield of 8.4% of the total crude processed in the plant.

Total sales revenue in 1980 from petrochemicals amounted to \$187 million, which represents a 21% increase over 1979. This increase can be attributed to the improved market conditions enjoyed during the latter part of the year.

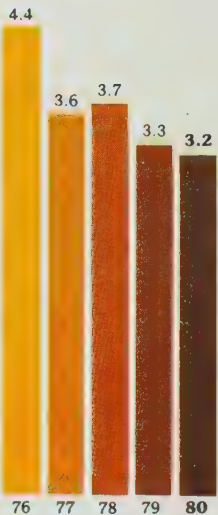
The major activity during 1980 remained in the area of aromatic derivatives. The market for these products remained fairly depressed during the first part of the year because consumption was affected by the adverse economic climate and high interest rates. Most of our customers kept their inventories low. Nevertheless, due to a comprehensive marketing effort, we were able to keep our production and sales at maximum rates. During the latter part of the year the shortage of feedstocks for most producers and the reduced crude oil availability, resulting from the Middle East conflict, improved the aromatic market. Prices regained some strength and substantially restored reasonable profit margins.



Total Sales of Petroleum Products
(thousands of cubic metres per day)



Sales of Gasoline
(thousands of cubic metres per day)



Sales of Middle Distillates
(thousands of cubic metres per day)

The construction of our polystyrene plant, which was announced in 1979, was undertaken and completed during 1980. The start-up will take place in the first quarter of 1981. This represents a time frame of 13 months between date of approval and start-up of the unit. This, without question, is a record for petrochemical plant construction in Canada.

Finachem Canada Inc. has been marketing polystyrene in Canada since the last quarter of 1979. This was achieved with polystyrene produced in the United States and imported into the Canadian market. The product has been very well accepted by Canadian users which has enabled Finachem Canada to penetrate the market sufficiently to provide a basic volume of sales for the first year's production at our new plant.

Marketing

Over the past few years, Canadian consumers have become increasingly aware of the need to curtail demand for petroleum products. On the basis of preliminary data for 1980, there are indications that the total Canadian consumption of petroleum products declined slightly from the previous year.

Although sales of FINA petroleum products also declined in 1980, marketing revenues increased while marketing expenses decreased moderately from the level of the previous year. This improvement reflects the Company's continued emphasis on expense control as a major factor in producing a satisfactory return on its investments.

Numerous actions were taken in 1980 to improve the efficiency and operating results of our large network of retail outlets. Several unsuitable properties were sold and a few exceptionally promising properties were purchased for future development. In addition, a number of independent dealer locations were established under the FINA brand.



During 1980, we planned and introduced a new method of billing credit card purchases. "Descriptive billing" allows certain operating efficiencies while providing FINA customers with a more precise and informative statement, as well as a detailed record of credit card transactions.

FINA Multi-Plus, a superior quality multi-grade oil, was introduced in 1980. This new product is recommended for all modern automobile motors, regardless of climatic conditions. It greatly surpasses the most recent performance standards established by automobile manufacturers. Undoubtedly, this superior quality product has great sales potential.

The Company also restructured its Retail Fuel Oil Section and entered into a number of agreements which will substantially broaden its operating base in the important heating oil segment of the market.

The sales and revenue potential from our Asphalt Section has been enhanced by a joint venture with a company specializing in roofing asphalt.

Increased volumes of FINA aviation jet fuel were supplied to several national and international airlines during 1980.

Our T.B.A. Section continued to generate significant revenue from its sales of tires, batteries and a wide range of automotive parts and accessories.

After nearly two years of planning, the Marketing Department completed the design and awarded the contract for automation of its largest product distribution plant at Pointe-aux-Trembles, Québec. The system, which is expected to be operational in 1981, will provide computer-controlled loading and delivery facilities. All daily transactions will then be reported directly to the main computer located at our head office.

The Company's "Standards of Excellence" programme, which constantly promotes higher standards of customer service, was re-emphasized and enthusiastically supported throughout our entire marketing operation.

Environmental Protection

Emphasis was continued during 1980 on a number of activities which were started during previous years.

At the refinery, engineering is almost completed on modifications to the Houdrifiow catalytic cracker which will substantially reduce the emission of particulate matter into the atmosphere. Emissions of sulphur dioxide were reduced through the use of lower sulphur fuels. Further benefits to the ambient air will be achieved utilizing a sophisticated mathematical model for predicting ground level concentrations. This model was developed over a two year period and was completed and successfully validated during the past year.

The programme for installation of floating roofs on storage tanks containing volatile hydrocarbons progressed satisfactorily at the refinery and at marketing terminals in Ottawa (Ontario), Chatham (New Brunswick), and Sydney (Nova Scotia).

Continued efforts were directed towards reducing the volume of wastes requiring disposal outside Company property. This practice is compatible with government policy in all jurisdictions in which the Company operates.

The significant reductions in energy consumption in our refinery (over 15% compared with 1979) have a beneficial effect, in environmental terms, in addition to conserving valuable resources and reducing costs.

Petrofina Canada participated with its Syncrude partners in an extensive programme of land reclamation.

Public Affairs

Our Company continued to assume an active role in matters pertaining to the industry as well as in public affairs in general. In addition to supporting local and national social and cultural organizations, the Company takes pride in the involvement of many of its employees in the affairs of their respective communities.

New projects further evidenced Petrofina Canada's interest in two major areas of public concern: highway safety and energy conservation.

The message promoting driver safety, which was installed on our fleet of trucks, drew favorable comments from both the public and the media who recognized its motivational value.

The announcement of our pilot tomato growing project generated strong interest in the press and from the public. The media, including some from abroad, gave the project unprecedented coverage.

We continued our communications programme with meetings between management and employees in an effort to better inform employees on the Company's activities.

Personnel

During 1980 the Company adopted several improvements to the employee benefit plan package. The most important of these is one pertaining to the pension plan. Retiring employees will, from now on, have their pension calculation based on final earnings rather than on a five year average.

In addition, the pension of retired employees was increased by 10% as of January 1, 1980.

The Company also gave the employees the right to purchase treasury shares in numbers directly related to their salary level. These shares qualify under the Québec Stock Savings Plan which enables participating residents of Québec to deduct the cost of such securities in computing their taxable income for provincial tax purposes.



Summary of Accounting Policies

December 31, 1980

Principles of consolidation

The consolidated financial statements include the accounts of Petrofina Canada Inc., its subsidiaries and its 5% share of assets, liabilities, revenues and expenses of the Syncrude project.

Inventories

Oil products are stated at the lower of cost and net realizable value. Cost of oil products has been determined on the basis of the last-in, first-out method except for crude oil in transit, which is carried at actual cost. Inventories of other merchandise and materials and supplies are stated at the lower of average cost and replacement value.

Investments and advances

Investments are stated at cost. Advances, which consist of mortgages and other receivables, are shown at anticipated realizable value.

Properties, plant and equipment

The full-cost method of accounting is followed whereby all costs related to the exploration for and the development of oil and gas reserves are capitalized.

Refining, marketing and other properties, plant and equipment are carried at cost.

Depreciation and depletion

Amounts capitalized under the full-cost method are depleted on the composite unit of production method based on estimated proven reserves of oil, gas and other saleable products. Depreciation on production equipment, gas plants and related facilities is provided on the same basis. Amounts capitalized for the Syncrude project are depreciated and depleted separately on the composite unit of production method over its currently estimated twenty-five year service life.

Depreciation on refining, marketing and other properties, plant and equipment is based on the estimated service lives of the assets, calculated on the straight-line method, except for motor vehicles where the diminishing balance method is used. Depreciation is calculated at the following average rates:

Buildings	2.50%
Equipment	6.66%
Motor vehicles	30.00%

Foreign currencies

Amounts in currencies other than Canadian dollars have been translated as follows: current assets and current liabilities — at the rates of exchange prevailing at the end of each year; long-term debt — at the rates of exchange prevailing at the dates when the debts were incurred; revenues and expenses — at average rates of exchange throughout the year. Gains and losses resulting from the translation are recognized in the consolidated statement of earnings.

Petroleum compensation

Under the oil compensation programmes the Federal Government compensates purchasers of synthetic crude oil and eligible importers for a portion of certain cost increases with respect to petroleum consumed in Canada, provided they voluntarily maintain prices for certain products at levels not to exceed those suggested by the Government. Compensation received under these programmes is reflected as a reduction of product costs or inventories as applicable.

Pension plan

Current service costs of pension benefits and experience deficiencies are accrued on a current basis. Past service costs, arising from modifications of benefits under the plan since 1974, are amortized over a fifteen year period.

Income taxes

The Corporation provides for income taxes on the tax allocation basis of accounting under which the provision for income taxes is computed on the basis of income reported in the financial statements rather than that reported in the tax returns. Taxes provided on income deferred for tax purposes by claiming deductions greater than the related charges in the accounts are reflected as deferred income taxes in the consolidated balance sheet.

Consolidated Statements of Earnings and Retained Earnings

For the year ended December 31, 1980

Earnings	1980		1979	
	(in thousands of dollars)			
Revenues:				
Operating revenue	\$882,114		\$762,587	
Interest and other	5,369		1,815	
	887,483		764,402	
Expenses:				
Product costs and operating and administrative expenses	641,715		601,784	
Depreciation	24,681		18,167	
Depletion	13,535		10,511	
Interest on long-term debt	28,877		17,837	
Other interest	2,384		3,223	
Taxes other than income taxes	15,979		10,287	
	727,171		661,809	
Earnings before income taxes and minority interest	160,312		102,593	
Income taxes (note 5)	61,402		39,441	
Minority interest	209		1,565	
Net earnings	\$ 98,701		\$ 61,587	
Earnings per common share — basic	\$ 8.99		\$ 6.13	
— fully diluted	\$ 8.81			

Retained Earnings

Retained earnings, beginning of year	\$190,749	\$142,202
Net earnings	98,701	61,587
	289,450	203,789
Dividends	20,498	13,440
Retained earnings, end of year	\$268,952	\$190,349

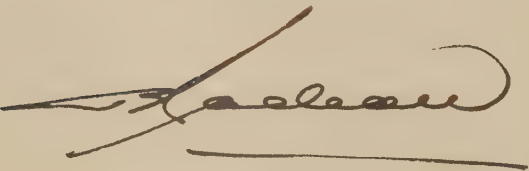
See accompanying summary of accounting policies and notes

Consolidated Balance Sheet

December 31, 1980

Assets		1980	1979
		(in thousands of dollars)	
Current:			
Cash		\$ 6,634	\$ 4,556
Short-term deposits		3,368	—
Accounts receivable		130,276	124,550
Due from parent company		4,736	2,115
Inventories			
Oil products and other merchandise		166,223	113,325
Materials and supplies		13,717	11,357
Prepaid expenses		4,550	6,936
Total current assets		329,504	262,839
Investments and advances (note 1)		11,519	11,732
Properties, plant and equipment (note 2)		574,489	532,297
Deferred charges		2,563	3,481
		\$918,075	\$810,349

On behalf of the Board:



P.A. Nadeau, Director



Laurent A. Picard, Director

Liabilities and shareholders' equity		1980	1979
Current:			
Notes payable	\$	80	\$ 41,815
Accounts payable and accrued liabilities		118,114	93,764
Due to affiliated companies		5,483	244
Income taxes payable		28,880	6,040
Current maturities of long-term debt		1,708	10,628
Total current liabilities		154,265	152,491
Long-term debt (note 3)		178,385	256,476
Deferred income taxes		107,193	91,869
Minority interest		2,339	2,132
Shareholders' equity:			
Share capital (note 4)		190,957	100,648
Contributed surplus		15,984	15,984
Retained earnings		268,952	190,749
		475,893	307,381
		\$918,075	\$810,349

See accompanying summary of accounting policies and notes

Auditors' Report

To the Shareholders of Petrofina Canada Inc.:

We have examined the consolidated balance sheet of Petrofina Canada Inc. as at December 31, 1980 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montréal, Canada,
February 2, 1981.

Clarkson Gordon
Chartered Accountants

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1980

Source of funds:		1980	1979
		(in thousands of dollars)	
	Net earnings	\$ 98,701	\$ 61,587
	Amounts not affecting working capital:		
	Depreciation and depletion	38,216	28,678
	Amortization	574	3,264
	Deferred income taxes	15,324	26,471
	Loss (gain) on disposals of properties, plant and equipment	(919)	1,256
	Minority interest	209	1,636
	Total funds from operations	152,105	122,892
	Issuance of shares — preferred	45,000	—
	— common	45,309	647
	Proceeds on disposals of properties, plant and equipment	7,262	3,883
	Long-term borrowings — Syncrude project	—	185,000
	Income taxes recoverable	—	6,557
	Other	555	(71)
		250,231	318,908
Use of funds:			
	Additions to properties, plant and equipment		
	— Syncrude project	4,532	184,912
	— other	82,219	59,104
	Net repayments of long-term debt	78,091	14,084
	Dividends — preferred	1,391	—
	— common	19,107	13,040
		185,340	271,140
	Net increase in working capital	64,891	47,768
	Working capital, beginning of year	110,348	62,580
	Working capital, end of year	\$175,239	\$110,348

See accompanying summary of accounting policies and notes

Notes to the Consolidated Financial Statements

December 31, 1980

		1980	1979
		(in thousands of dollars)	
1) Investments and advances	2% carried interest in future net production income of Panarctic Oils Ltd.	\$ 6,375	\$ 6,374
	Shares in pipeline and other companies	3,073	2,637
	Mortgages and other receivables	2,071	2,720
		\$ 11,519	\$ 11,732
		1980	1979
		(in thousands of dollars)	
2) Properties, plant and equipment	Exploration and production (excluding Syncrude project)	\$369,515	\$111,202
	Syncrude project	189,444	184,912
	Refining	216,964	199,176
	Marketing	110,377	114,206
		886,300	811,496
	Less accumulated depreciation and depletion	311,811	279,199
		\$574,489	\$532,297

3) Long-term debt During the year, the Corporation entered into a credit agreement with three major banks providing for a \$225,000,000 revolving credit and term loan facility, of which \$135,000,000 has been drawn down by the Corporation at December 31, 1980. The initial revolving credit period is three years but, annually by mutual consent, this period can be extended for an additional year. The term loan period is 10 years from the date of maturity of the revolving credit. Under the agreement, the interest rates for the revolving credit will not exceed Canadian prime and U.S. base rates for Canadian and U.S. dollar borrowings respectively, and for the term loan the same rates plus 1/4% to 1/2%.

		1980	1979
		(in thousands of dollars)	
	Secured:		
	Production loans	\$ —	\$ 2,005
	Other loans	127	202
		127	2,207
	Unsecured:		
	Loans pursuant to the above noted revolving credit agreement	135,000	—
	Interim financing loan	—	185,000
	Loans with interest 1/2% above prime rate, due in varying annual instalments through 1990	40,000	73
	6 1/8% promissory notes amounting to U.S. \$950,000 (U.S. \$1,800,000 in 1979) due in 1981	1,134	2,016
	6% loans amounting to U.S. \$309,000 (U.S. \$618,000 in 1979) due in 1981	369	—
	Other loans and long-term obligations	3,463	3,511
		179,966	264,897
		180,093	267,104
	Less instalments included in current liabilities	1,708	10,628
		\$178,385	\$256,476

Payments required to retire long-term debt amount to approximately \$4,300,000 annually from 1982 to 1985.

4) Share capital Authorized:
Preferred — An amendment to the Articles of Continuance which was obtained in May 1980 provides for a new class of shares, being an unlimited number of preferred shares issuable in series, without nominal or par value.

Common — 16,000,000 shares without nominal or par value.

Issued:

	\$1.875 cumulative redeemable convertible preferred shares		Common shares	
	Number	(in thousands of dollars)	Number	(in thousands of dollars)
Balance at December 31, 1979	—	\$ —	10,048,866	\$100,648
Issued in 1980	1,500,000	45,000	1,099,437	45,309
Converted into common shares	(3,520)	(106)	1,760	106
Balance at December 31, 1980	1,496,480	\$44,894	11,150,063	\$146,063

During the year the Corporation issued 1,500,000 \$1.875 cumulative redeemable convertible preferred shares at a price of \$30.00 per share for a cash consideration of \$45,000,000. The dividend is payable quarterly at the annual rate of \$1.875 per share.

The preferred shares are non-redeemable prior to July 15, 1985 except that they may be redeemed in whole or in part on or after July 15, 1982 and prior to July 15, 1985 at \$31.50 per share, if the weighted average price at which the common shares traded on the Toronto Stock Exchange during a 30 consecutive trading day period prior to the notice of redemption was not less than \$75.00. The shares are redeemable after July 15, 1985 in whole or in part at \$31.50 per share until July 15, 1986 when the redeemable price is reduced by \$0.30 per share in each of the following 12 month periods until July 15, 1990. Thereafter, the shares are redeemable at \$30.00 per share. In each case the shares are redeemable together with accrued and unpaid dividends to the date fixed for redemption.

In the event that at any time not more than 225,000 preferred shares remain outstanding, the Corporation may redeem all, but not part, of such shares at \$30.00 per share together with accrued and unpaid dividends to the date fixed for redemption.

The preferred shares are convertible into common shares anytime on or prior to July 15, 1990, at a conversion rate of one half a common share for each preferred share, subject to adjustment in relation to certain changes in the reclassification or issue of common shares.

During the year, rights were issued for the purchase of additional common shares by the shareholders in the proportion of one common share for each ten common shares held at a price of \$40.00 per share. The Corporation issued 1,005,176 common shares (of which 721,187 were issued to the parent company, Petrofina S.A.) under this subscription offer for a cash consideration of \$40,207,040.

The Corporation also issued 72,521 common shares under an employee share purchase plan and 21,740 common shares through the exercise of stock options for a total cash consideration of \$5,101,643. In addition 1,760 common shares were issued in conversion of 3,520 preferred shares.

Under the Corporation's stock option plans, 212,130 common shares are reserved to meet options outstanding. Options for 44,530 common shares are exercisable at \$16.75 per share before April 20, 1982 and for 167,600 common shares at \$60.00 per share before November 20, 1985.

5) Income taxes

Total income tax expense was \$61,402,000 in 1980 and \$39,441,000 in 1979 which represents an effective tax rate on earnings before income taxes of 38.3 per cent and 38.4 per cent respectively. The following schedule shows the main differences between the combined Federal and Provincial statutory tax rate and these effective rates:

	1980		1979	
	Amount	(in millions of dollars) %	Amount	%
Provision for income taxes at statutory rates	\$77.9	48.6	\$49.3	48.1
Add (deduct) the tax effect of:				
Inclusion in taxable income of crown royalties and other provincial payments	26.1	16.3	18.5	18.0
Resource allowance to partially offset inclusion of crown royalties	(22.4)	(14.0)	(15.4)	(15.0)
Depletion allowance earned by exploration and development expenditures	(12.3)	(7.7)	(9.0)	(8.8)
Inventory allowance to partially offset the effect of inflation	(2.1)	(1.3)	(1.7)	(1.7)
Other	(5.8)	(3.6)	(2.3)	(2.2)
Provision for income taxes reflected in the consolidated statement of earnings	\$61.4	38.3	\$39.4	38.4

6) Financial results by business segments

The Directors of the Corporation have determined the classes of business to be a resources segment and a refined products and petrochemicals segment.

The resources segment comprises exploration, development and production activities related to crude oil, natural gas, gas liquids, sulphur, coal, oil sands and minerals.

The refined products and petrochemicals segment includes the manufacture, distribution and sale of petroleum products.

Inter-segment sales are eliminated to reflect total revenues as reported in the consolidated statement of earnings.

	Resources		Refined products and petrochemicals		Consolidated	
	1980	1979	1980	1979	1980	1979
	(in thousands of dollars)					
Revenues:						
Outside the enterprise —						
Operating revenue	\$122,393	\$106,833	\$759,721	\$655,754	\$882,114	\$762,587
Interest and other	730	563	4,639	1,252	5,369	1,815
Total	123,123	107,396	764,360	657,006	887,483	764,402
Inter-segment revenues	59,700	10,224	—	—	59,700	10,224
Elimination					(59,700)	(10,224)
Total revenues	\$182,823	\$117,620	\$764,360	\$657,006	\$887,483	\$764,402
Earnings:						
Segmented earnings before interest on long-term debt, income taxes and minority interest	\$110,026	\$ 73,799	\$ 79,163	\$ 46,631	\$189,189	\$120,430
Interest on long-term debt					(28,877)	(17,837)
Income taxes					(61,402)	(39,441)
Minority interest					(209)	(1,565)
Net earnings					\$ 98,701	\$ 61,587
Assets employed:						
Identifiable assets	\$461,809	\$400,588	\$456,266	\$409,761	\$918,075	\$810,349
Capital expenditures:						
Properties, plant and equipment	\$ 61,625	\$219,468	\$ 25,126	\$ 24,548	\$ 86,751	\$244,016
Depreciation and depletion	\$ 22,495	\$ 13,993	\$ 15,721	\$ 14,685	\$ 38,216	\$ 28,678

Total revenues include export sales amounting to \$161,660,000 in 1980 (\$136,780,000 in 1979).

7) Pension plan	The unfunded past service obligation is estimated, on a present value basis, to be \$10,200,000. This is based on an independent actuarial valuation of the pension plan as at January 1, 1980 updated by the Corporation to December 31, 1980.		
8) Related party transactions	The Corporation's significant related party transactions made in the ordinary course of business are as follows:		
	1980	1979	
	(in thousands of dollars)		
Purchases of crude oil from parent and affiliated companies	\$119,182	\$101,972	
Net costs relating to the purchase and processing of petrochemical products by parent and affiliated companies	\$ 13,443	\$ 11,339	
Sales of petrochemical products to parent and affiliated companies	\$ 20,485	\$ 33,124	
9) Comparative figures	Certain of the 1979 comparative figures have been reclassified to conform to the financial statement presentation adopted in 1980.		
10) Subsequent event	On February 2, 1981, the parent company, Petrofina S.A., Brussels, has accepted an offer providing for a take-over of the Corporation by Petro-Canada. This offer, which is conditional upon receiving significant rulings and approvals, provides, among other things, that Petro-Canada will cause one of its subsidiaries to make an offer for the acquisition of all of the assets and the assumption of all the liabilities of the Corporation in consideration of securities issued by that subsidiary at a value equivalent to \$120 per common share of the Corporation (all shares including those that would be outstanding if all the convertible preferred shares were converted and all the outstanding stock options were exercised). Further, subsequent to this acquisition, Petro-Canada will make a tender offer for all the outstanding common shares of the Corporation, as referred to above, for a consideration of \$120 per share.		

Five Year Review of Operations

Statistical	1980	1979	1978*	1977*	1976*
Crude oil and natural gas liquids production, before royalty (thousands of cubic metres)					
— conventional	1,212	1,190	1,036	1,036	1,065
— synthetic	235	47	—	—	—
Natural gas sales, before royalty (millions of cubic metres)	747	841	754	838	852
Number of wells drilled in which Company had participation	152	111	73	91	79
Number of wells completed in which Company had participation	108	71	36	41	49
Sulphur sales (thousands of tonnes)	174	138	174	156	182
Gross land holdings (thousands of hectares)	3,604	3,316	3,480	5,220	5,260
Net land holdings (thousands of hectares)	1,262	976	971	1,295	1,295
Crude oil runs to refinery (thousands of cubic metres)	4,249	4,514	4,197	4,372	4,595
Total outlets used in distribution of refined products	932	1,086	1,091	1,120	1,215
Number of employees	2,163	2,380	2,466	2,412	2,352

Financial	(in thousands of dollars)				
Revenue	\$887,500	\$764,400	\$593,600	\$531,100	\$501,500
Net earnings	98,700	61,600	23,300	28,600	22,000
Depreciation, depletion and amortization	38,800	31,900	24,800	23,700	22,600
Total funds generated	152,100	122,900	55,800	56,700	48,100
Working capital	175,200	110,300	62,600	52,000	59,200
Total assets	918,100	810,300	579,600	586,000	511,000
Long-term debt	178,400	256,500	85,600	70,700	86,300
Book value of shareholders' equity	475,900	307,400	258,200	246,800	229,200

* As restated in 1979.

Directors and Officers

Principal Officer

P.A. Nadeau,
Chairman of the Board,
President and Chief
Executive Officer

Senior Vice-President

J.E. Baugh,
Exploration & Production

Vice-Presidents

T.H. Allman, C.A.,
Treasurer

P.F. Cotsworth,
Production

G.A. Craig,
Comptroller

J.A. Dodd,
Manufacturing

N.S. Mahlab,
Administration

A.W. McLeod,
General Counsel and
Secretary

R.J. Redding,
Marketing

N.H. VanSon,
Supply & Logistics

Directors

Jean-Pierre Amory,
Executive Director,
Petrofina S.A.

W.A. Arbuckle,
Chairman,
Tioxide Canada Inc.
(Mandate expired April 80)

J.E. Baugh,
Senior Vice-President,
Petrofina Canada Inc.

• **Claude Castonguay,**
Chairman of the Board,
Imperial Life Assurance
Company

F.M. Covert, O.B.E., D.F.C., Q.C.,
Senior Partner,
Stewart, MacKeen & Covert
(Mandate expired April 80)

A. Demeure de Lespaul,
Chairman of the Board,
President and
Chief Executive Officer,
Petrofina S.A.

Richard I. Galland,
Chairman of the Board and
Chief Executive Officer,
American Petrofina
Incorporated

Jacques J. Giasson,
President and Chief Executive Officer,
St. Lawrence Cement Company

Dr. James B. Hyne,
Dean of Faculty
of Graduate Studies,
University of Calgary

Emmanuel Lamy,
President,
Financière de l'Union Parisienne
et du Nord

Roger Létourneau, Q.C.,
Senior Partner,
Létourneau & Stein
(Mandate expired April 80)

J. William E. Mingo,
Partner,
Stewart, MacKeen & Covert

• **K.S.C. Mulhall,**
Financial Consultant

P.A. Nadeau,
Chairman of the Board,
President and Chief Executive
Officer,
Petrofina Canada Inc.

• **Laurent A. Picard,**
Dean, Faculty of Management,
McGill University

Baron Didrik Snoy,
Executive Director,
Petrofina S.A.

Peter N. Thomson,
Chairman,
TIW Industries Ltd.

• Member of the Audit Committee

Executive Offices

The Royal Bank of Canada Building
1 Place Ville Marie
Montréal, Québec H3B 4A9

Auditors

Clarkson Gordon

Transfer Agent

Montreal Trust Company

Registrar

The Royal Trust Company

